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Poland

Agricultural Situation

Polands's Bio-Fuel Legislation Could Double Rapeseed Area

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Report Highlights:

Poland's parliament (Sejm) approved a biofuel bill which could significantly impact future rapeseed and some grain production in Poland. The bill requires significant biocomponent levels in fuel. Only Polish rapeseed and agricultural crops will be permitted for use as raw materials. It is scheduled to go into effect July 2003.

Certain provisions of the bill may have to be altered upon Poland's EU accession in May 2004 so actual oilseed and grain production changes are difficult to predict.

Nevertheless, various sources estimate that Poland's current 1 MMT of rapeseed production could rise by 50 to over 100 percent by 2005

Includes PSD changes: No

Includes Trade Matrix: No

Unscheduled Report

Warsaw [PL1], PL

Poland's parliament passed a controversial biofuel bill on December 19, 2002 which could increase rapeseed and grain production but may be in violation of EU biofuel procedures/regulations as well as WTO Article 3. The bill still requires President Kwasniewski's approval, but there is no indication at this time that he would oppose it. Nevertheless, a December 23 Polish press article indicates that he is first consulting with experts. If signed by President Kwasniewski, it would go into effect July 2003. The bill was strongly backed by farm lobbies and the PSL party, a minority member party of the current ruling coalition, which is headed by the Deputy Prime Minister and Minister of Agriculture Jaroslaw Kalinowski.

The bill requires that fuel must consist of a minimum 4.5 percent of biocomponents. Article 14 of the bill contains provisions that biofuel must be produced from alcohols and esters only produced in Poland from Polish agricultural raw materials. This article requires that such arrangements must consist of long-term (minimum 5 year) contracts between farmers and processors. Sources indicate that the local use requirement is inconsistent with EU policy so would likely have to be changed upon Poland's probable EU accession in May 2004. This provision requiring only use of Polish agricultural raw materials also appears inconsistent with WTO Article III regarding national treatment.

The value to the total bio-fuel market is estimated at around 4 billion zlotys (just over the equivalent of US\$ 1 billion). In 1996-98 annual bio-ethanol production in Poland was around 100 million liters, while annual gasoline consumption was 7 billion liters, which means that the average use of bio-ethanol was 1.5%. Estimated use for 2002 is 1.4% in gasoline. According to sources, in recent years 17-37% of gasoline contained 4.5% percent bio-ethanol. The Polish media reports that Poland is the top user of bio-fuel in Europe compared to an average EU 0.25% use in 2001. It also notes that in France, Sweden and Italy the share is not higher than 1 percent. The Polish media also reports that according to the new EU bio-fuel directive, EU use in 2006 should reach 2%, and there is no obligatory production as is required under the Polish bill.

To fulfill the 4.5% - 5% share, it is necessary to produce 350-400 million liters (current production is 50 million) of bio-ethanol. Such a production increase will be possible within two to three years because of the current excess processing capacities of Polish alcohol distilleries. Of 600 total distilleries, only 300 are processing due to the current small demand for ethanol according to the Ministry of Agriculture.

According to authors of the bio-fuel legislation, in 2005 rapeseed area should reach 700,000 hectares. However, Polish rapeseed area could increase up to 1.0 million hectares produced on 13 percent of the best soil in Poland according to a local crop production expert. This is a 133 percent increase over current rapeseed area of 430,000 hectares. The highest rapeseed area estimate is reported in the press from Poland's National Energy Saving Agency which estimates that rapeseed production area for biofuel purposes could reach as high as 1.5 million hectares.

Rapeseed crops are commonly rotated in Poland with wheat and sugar beets. No estimates on the possible impact on wheat and sugar beets, due to the potential increase in bio-fuel rapeseed area, have been reported by the Polish government, academic institutions or media. Close to 0.5 million tons of rye is currently processed for ethanol production according to government statistics. As is the case for wheat and sugar beet production, no additional impact projections regarding the impact on rye

area and production are available.